LETTER

ON A

GOLD CURRENCY FOR INDIA,

ADDRESSED TO

HIS EXCELLENCY

SIR BARTLE FRERE, K.C.B.,

GOVERNOR OF BOMBAY.

BY

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TO HIS EXCELLENCY

SIR BARTLE FRERE, K.C.B.,

GOVERNOR OF BOMBAY, &c., &c., &c.

SIR,

The monetary condition of our Indian Empire is so unsound, and the necessity of a thorough reform of its currency so urgent, that I venture to address your Excellency on the subject, in the hope that, recognizing the inadequateness of the existing system for the wants of the community, your Excellency may be induced to exert your great influence to secure the introduction of a Gold currency and standard into India.

Your Excellency is aware that, for some years, the commerce of India, and especially of Bombay, has rapidly increased. Favorable circumstances have occurred to develope the resources of the country, and wealth has been largely distributed amongst all classes from the ryot to the merchant. In ten years the trade of Bombay, as the following statistics show, has increased nearly 250 per cent:—

The rapid increase of the Trade of Bombay

Years.	Imports.	Exports.	Total
	Rs.	Rs.	Rs.
1853-54	84,383,626	95,071,893	179,455 519
1854-55	78,252,261	81.698,816	159,951,077
1855-56	115,773,041	102,919,161	218,692.202
1856 57	144,846,391	125.793,939	270,640.330
1857-58	163,160,026	146,773.599	309,933.625
1858-59	183.815.410	159,508,825	343,324,235
1859-60	198,749,906	155,154.526	353,904,432
1860-61	186,263,013	194,880.399	381.143,412
1861-62	218,565,797	212,999,605	431,565,402
1862-63	290,187,097	301,392,044	591,579,141

These amounts, however, being but Custom House valuations, do not adequately represent the extent of our commerce during the last three years, and, taking into consideration the high prices realized for Cotton in England, and paid for Piece Goods here, they might fairly be increased by fifteen or twenty per cent. The aggregate commerce of Calcutta last year amounted to Rs. 340,604,861, and I estimate that of Madras at Rs. 130,000,000, making a total for the three Presidencies of Rs. 1,062,184,000.

necessitates a wise regulation of the currency.

It is clear that the amount of money required to circulate commodities to so large an extent as this through so many hands, as well as to suffice for the wants of a population of 200 millions, must be very great. There can, therefore, scarcely be a subject of greater importance for the consideration of Government than the wise regulation of the currency, upon which the well-being of so vast an Empire so vitally depends, and it is one which at present demands their immediate attention.

Our currency is in a most unsatisfactory state and needs to be reformed.

The late Right Honorable James Wilson, in his speech on a paper currency, expressed in distinct terms his sense of the inefficiency of the existing Indian currency. "I believe," he said, "there is but one opinion throughout India, and I "will add at home, that the currency of this dependency of "the British Empire is in a most unsatisfactory state; there "may be, and no doubt there are, many different opinions as "to the mode in which its glaring defects can be best amend-"ed, but at least all are agreed that amendment is loudly called "for. If," he continued, "your monetary condition be un-"sound, the country will be exposed, in an aggravated form, "to all those vicissitudes which overtake trade, for a time "paralyze industry, and impoverish the people; if, on the other "hand, it be based on sound and solid principles, we may rest "contented that we have at least taken every precaution "within our power, if not for altogether preventing those "vicissitudes, yet for alleviating their consequences and "shortening their duration."

I quote these statements, not only as possessing all the weight of opinions expressed by so able a financier, but also as being particularly appropriate at a time when trade is

really suffering from the very species of vicissitude which Mr. Wilson anticipated, and which is both intensified and prolonged by the imperfect currency which he described.

The object of a Paper Currency is to set free reproductive capital.

The only object of a currency being to circulate commodities in the most convenient manner, Mr. Wilson, of course, admitted that this was best attained by adopting either gold or siver as a standard by which their value might be defined, but he proposed his scheme of a convertible paper currency for the purpose of setting free a large portion of the reproductive capital of the country, thus absorbed and rendered sterile. The Currency Bill was no doubt a very important and desirable measure, whose usefulness, probably, will increase as the country becomes ripe for its acceptance. Hitherto, however, I believe, that the objects for which it was framed have not to any considerable extent been attained, and for the present it has not been successful in reforming the defects of the Indian currency.

General intelligence and confidence required for its reception.

A paper currency, based upon sound principles, is certainly one of the wisest measures of financial administration; but for its general adoption throughout a country, it is requisite that intelligence and confidence should be largely diffused. The acceptance of a piece of paper, without intrinsic worth, and deriving its sole value from the mere promise to pay a certain sum, denotes the existence of a healthy public credit, and reliance upon administrative principles which can only be found in an advanced state of civilization, and after a long period of commercial good faith.

That India is not yet prepared for it

I believe that few persons acquainted with the state of India will assert that the mass of its population are yet prepared to understand, or avail themselves of such a currency. Centuries of misrule and oppression under native rule have implanted suspicion and distrust in the native character; and European civilization has as yet scarcely lifted a corner of the veil of ignorance that enshrouds and perpetuates these hereditary qualities. Without going into statistics at all, therefore, it might be predicated that a paper currency, unintelligible both in form and in principle to the great mass of the people, could not circulate much beyond a few of the greater towns, into which European enterprize and enlightenment have penetrated.

is proved by the reports of the Currency Department.

That this has really been the case is evident from the following statement of the currency departments in the three Presidencies :—

Presidencies.	Reserve.			Value of Notes in Circulation.
	Bullion.	Coin.	Govt. Securities.	
	Rs.	Rs.	Rs.	
Calcutta*	......	18,455,922	11,044,078	29,500,000
Madras*	......	7,300,000	......	7,300,000
Bombay†	11,700,000	11,900,000	......	23,600,000
Total......	11,700,000	37,655,922	11,044,078	60,400,000

Mr. Wilson's estimate of the actual currency.

Speaking in 1860, Mr. Wilson stated that the coinage in the three Indian Mints, since 1835, amounted to upwards of one hundred crores of Rupees, or 100 millions sterling, and that during the last four years of the period the production had actually been at the rate of 12 millions sterling in each year.

Professing, however, to allow for the great withdrawal of coin, both for the purpose of hoarding and conversion into jewellery, he estimated the total amount in actual circulation at one hundred crores of Rupees, or one hundred millions sterling. I cannot understand by what process he arrived at this high estimate, but I believe that if he had reduced it by one-half he would have been much nearer the mark. He, in fact, assumed that the coin issued prior to 1835 counterbalanced the whole of the previous and subsequent absorption. It would not be difficult, I think, to show the incorrectness of his estimate ; but accepting it for the present, and taking it, as Mr. Wilson apparently desired, as the basis of our calculation, we find that currency notes, after three years, have really only been taken to the extent of about 6 per cent. of the whole currency, and that they have actually only fulfilled their sole legitimate object of releasing the reproductive capital of the country to the extent of a million sterling, or 1 per cent.

Our Paper Currency has only freed a trifling proportion of reproductive capital.

The currency notes are distrusted.

As an illustration of my assertion that India is yet far from prepared for such a circulating medium, I may mention a case which occurred in Bombay within my own

* 31st October, 1863. † 4th January, 1864.

knowledge. A Parsee gentleman tendered a currency note for one hundred rupees to a native carpenter for work done, which he somewhat reluctantly accepted. This was about the time when the present monetary pressure first became intense, and the value of Government securities had declined, and Banks were no longer able or willing to lend money against them. Two days after, the native returned, wringing his hands, and saying that he had been unable to change the note in the Bazaar, and that he understood that Government notes were no longer worth anything. In order to test the state of popular credulity, the gentleman offered Rs. 45 for the Rs. 100 note, which the native thankfully accepted, and he was going away in a more easy state of mind when he was recalled, and the full amount of rupees handed to him. I fear that, amongst the poorer classes in the interior, a currency note would be regarded with still greater distrust.

The Currency Act of 1861 has not effected the requisite reform.

The statistics which I have cited, it appears to me, conclusively prove that the Currency Act of 1861 has not produced any very material result, and that the "amendment" which Mr. Wilson admitted to be "so loudly called for" has yet to be effected, and is now more urgently required than ever.

The present monetary pressure

Whatever may be the monetary state of any country, moments of vicissitude must of course occur, and passing storms must disturb, in order to clear, the commercial atmosphere. Where the currency, however, is sufficient, and based upon sound principles, these periods of commercial distress, although they cannot be altogether prevented, are seldom of long duration, and can speedily be relieved. The trade of Bombay at present is passing through one of those periods of severe monetary pressure, which a defective currency mainly contributes to prolong. The crisis, I think, may be accounted for from the fact that our unprecedentedly active and profitable trade, and the numerous hands through which commodities have to pass in this country, have absorbed a great part of our metallic currency. The stream of capital has, to an unusual extent, flowed into the interior for Cotton and other produce; much has been distributed amongst the ryots, by whom it has been absorbed; and

much has been embarked in speculative investments. This has proceeded with a rapidity commensurate with the activity of commerce, and, rather suddenly, the country has found itself without sufficient coin for the efficient circulation of commodities. Under these circumstances one of three things generally happens—either the deficiency is made up by artificial contrivances—and here our paper currency has not helped us; or money must be made to do double work, and pass from hand to hand with a rapidity sufficient to compensate for its reduced quantity; or the market must adjust itself to the smaller currency, by a general fall in prices. In our case peculiar circumstances have modified all of these effects. The price of all securities has more or less declined, and other commodities have likewise been partially affected, but holders, generally, are too strong and wealthy to succumb under a pressure which they feel to be only temporary, so that, instead of parting with their goods, or produce, for a smaller quantity of the circulating medium, they prefer retaining them. Prices, therefore, have not adjusted themselves to the reduced currency, but business has been almost altogether suspended. The demand for money continues great, profitable employment for it still abounding, and the Bank's rate of interest has been raised to 24 per cent, while those who have required to draw their capital from England have been content to engage to pay 2s. 3d. there, six months hence, for each rupee advanced in India. This crisis might, and, no doubt, would have occurred, whether our standard had been gold or silver, but it appears to me, that, with a gold standard, its severity would have been mitigated, and its duration materially abridged. Our relief can only be effected by importations of silver, for I do not believe that we can reasonably hope for a sufficient present return of coin from the interior. Now silver is becoming scarce in Europe, its transport is comparatively difficult, and, even when received in Bombay, the working powers of the Mint are greatly below the requirements of the country. At the present moment, with the demand for money so intense that interest is 24 per cent, and exchange on England 2s. 2d., about 80 lakhs of rupees in bullion, belonging to merchants, lie in the Mint uncoined and unassayed. With gold for our circulating

is prolonged by our insufficient silver standard and currency,

medium this state of affairs could scarcely long continue, and an ample supply to meet so profitable a demand would certainly have flowed into our market, but, under existing circumstances, I cannot see any immediate prospect of effectual relief.

Both the Public and the Government are subjected to loss by our bulky and inconvenient silver coinage. "Can any one "form a just estimate," demanded Mr. Wilson," of the whole "cost to which the public are put in transmitting this bulky coin "from place to place? Can any one even judge of the expense "which the Government alone has incurred on this account?"

and both Government and the public are subjected by it to loss.

He also alludes, as to a familiar and patent fact, to the inconvenience of the present money to every one in private life. Indeed this can scarcely be rendered more apparent than by the circumstance that scarcely any European or Native gentleman ever carries a single rupee about his person. Mr. Wilson, however, mentioned one circumstance which very forcibly illustrates the inadequacy and inconvenience of such a circulating medium. He stated, "In one of the large trading "towns in the North-West I found a remarkable example of "this inconvenience. I found that recourse had been had for "a circulating medium, in order to save the labour and time "of counting large sums in rupees, to the use of mysterious "sealed bags, said to contain a thousand rupees each. These "bags circulate freely, in wholesale transactions, upon the faith "the merchants have in each other, with a 'chit' or letter of "endorsement, without always any precise knowledge of what "the real contents are. Sir, when recourse is had to expe-"dients of this kind, we have ample proof that some reform in "our existing system is loudly called for."

Native dealers adopt expedients to remedy its defects.

But this inconvenient coinage which native dealers struggle in a measure to correct for themselves, is actually maintained at great unnecessary expence. The estimated number of rupees in circulation according to Mr. Wilson is no less than one thousand millions, and the aggregate trade of the three presidential towns represents a sum of upwards of one thousand and sixty-two milllions, to maintain which in circulation the three Mints annually coin upwards of one hundred and twenty millions of rupees. A large part of the expense thus incurred, in producing an unwieldy and costly coin of small

This inconvenient silver coinage is maintained at great expense.

intrinsic value, might be saved by adopting a gold standard.

The amount of silver absorbed in India

India has for ages enjoyed the unenviable reputation of being the "sink" of the precious metals, but, since the adoption of a silver standard for her currency, the process of absorption has principally acted upon that metal, gold not being a legal tender, and consequently being less freely imported. From the 30th April 1834 to the same date in 1857, about £60,000,000 sterling, chiefly in silver, were imported into India, of which no less than 90 per cent were actually coined into rupees, at a considerable expense to the Government, a large part of which, doubtless, was subsequently converted into bangles, at an equivalent loss to the country. The amount of silver bullion and coin imported into each of the three Presidencies during the last 6 years is as follows :—

Years.	Calcutta.	Madras.	Bombay.	Total.
	Rs.	Rs	Rs.	Rs.
1857-58	71,490.940	13,986,923	59,649,976	145,127.839
1858-59	32,348,032	11,058,271	44.515.517	87,921,820
1859-60	67,624,417	12,278,944	46.786,769	126,690,130
1860-61	26 097,635	13,802,362	38,859,849	78,759,846
1861-62	27,045,899	12.844,799	66,471.563	106,362.261
1862-63	30,000,000*	15,000,000*	99,592,005	144,592,000

and since the period included in the above calculation say from the 1st May to the 31st Dec. about Rs. 62,500,000 have been imported into Bombay alone. If the American war proceed, and certainly there is not at present any indication whatever of its close, we shall continue to draw from Europe even larger quantities of silver than at present, and from the wide distribution of profits throughout the interior, amongst that class especially which has always been the most insatiable absorber of the metal, very little of this will be permanently added to the circulating medium of the country, but it will in large part be engulfed in secret hoards, or melted down into bangles and other native jewellery.

exceeds the annual production of the world.

Now the silver mines of the world produce in the aggregate annually only about ten millions sterling, so that India is now taking, and to a large extent absorbing, more silver annually than the whole world produces. Without, therefore, taking

* Estimates.

into consideration the future exhaustion of mines, the result of such a drain of this metal from Europe is quite clear, and it is already beginning to be felt. Silver must become scarce —the home markets must become unable or unwilling to supply it, Banks must raise their rate of discount in order to check exportation, the value of silver must considerably advance, and the rate of Exchange become permanently unfavourable to remitters from Europe. The rise in the value of this metal has already nearly swept away the whole of French silver currency to the East. French coin contains more silver than our subsidiary English currency, and it has, therefore, been more advantageous to export it as bullion than to use it as money. The only silver coin now remaining in France, in fact, is that which, by wear and tear, has become depreciated. A further advance, byno means improbable, if the present demand be considered, would affect English silver coin precisely in the same way, and we may yet have to melt down the silver currency of England to replenish that of India.

Scarcity wi[ll] disturb our mo[netary] standar[d]

Scarcity and a steady and permanent advance in the price of silver, both of which contingencies appear inevitable, will decrease the amount of our circulation, the natural consequence of which would be that the reduced currency would have to circulate the same amount of commodities as before, and prices, therefore, would be reduced in the same ratio. The great desideratum, however, of any monetary standard is that it should be as little variable as possible, and a general fall in the price of commodities is as far more prejudicial to a community than a general advance. Every sudden fluctuation in value, in fact, affects the conditions of every monetary arrangement. If for instance prices rise fifty per cent, every man with a fixed income finds that it is only half as valuable as it was, and on the other hand, if prices fall fifty per cent, every man bound to pay any fixed sum is obliged really to provide double the amount.

The rise in va[lue] of silver a[s] objectionable a[s] the fall in gold.

The depreciation which has taken place in the value of gold, in consequence of the discovery of the mines of Australia and California, has been made an argument against the adoption of a gold standard. This is of course based upon

the principle that that standard of value is best which is least variable. I shall consider this point hereafter more fully, but I may here remark that the actual and probable enhancement of the price of silver is, on the very same grounds, quite as strong an argument against a silver standard, as any fluctuation of the standard, and consequently of prices, whether up or down, is equally objectionable.

Our special demand for silver is compulsory.

The demand of India for silver, however, which causes this enhancement, and absorbs annually so large a quantity of what is now the dearer and scarcer metal, does not arise from any special predilection for that metal, but from the fact that we have a silver standard, and an extremely inconvenient and bulky silver currency. The demand thus, in a manner, artificially created, has increased and will increase with the development of India to a pitch that will drain Europe of silver, derange the currency of all countries possessing a silver standard, and probably affect, if not destroy, the subsidiary coinage of England herself. It is a demand arising from no special expediency, but, on the contrary, is extremely injurious and inconvenient to India, and it will likewise cause inconvenience to almost every other country. If the standard were changed, quite enough of silver would still be imported into this country, for manufacturing purposes, to prevent any material fall in its value, but we should not uselessly, and by a partially compulsory demand, absorb it in such large quantities, and extravagantly raise its value.

The abundance of gold an argument for its adoption as the standard in India.

Consideration, therefore, for the general convenience of the world, as well as of India, I submit, favours the proposal to change our standard from silver to gold. As the metal which contains most value in small bulk, gold has special claims, and as it has been found that the cost of obtaining gold, and, consequently, the cost of gold, varies less than that of silver, it is on that ground likewise preferable as a standard. There are other reasons, however, for which I would venture to urge the adoption of a gold standard. Prior to the discovery of the mines of California and Australia, the annual production of gold amounted only to about five or six millions sterling. During the ten years since the opening of these new sources of supply, however, it is estimated that 150 millions sterling

in excess of any former decade have been added to the stock of the world, and the annual production now amounts to about 25 millions sterling. A considerable portion of this increased production is neutralized by expanded commerce and industry, but Political Economists are pretty well agreed that the excess has depreciated the value of gold. The double argument, therefore, of scarcity of silver, and abundance of gold, advance in the value of the one, and depreciation in that of the other, is, I submit, altogether in favour of the adoption of a gold standard for India. The tendency of the East to absorb the precious metals would be a mitigated evil if diverted from dear silver to cheap gold, and, in fact, our demand would probably readjust and steady the disturbed balance of the precious metals. The present large production of gold would not be more than sufficient for the wants of the world, if Indian demand drew from it, as it now does of silver, so large a portion as twelve millions sterling. Indeed the great gold discoveries of late years could not have been more opportune, being made just at a time when the rapid development of India's commerce has outstripped its circulating medium. If the annual production of gold were now, as it was so short a time ago, only about five millions, the adoption of a gold standard and currency for India might have been unwise and objectionable, but now that the production has been so largely and suddenly increased, and is still increasing, the introduction of the gold standard could not but be generally advantageous, steadying the price of gold, on the one hand, and of silver, on the other.

We are forced now to buy the dearer metal,

Our silver currency, however, entails positive loss upon India. We are in a manner constrained to exchange our commodities for silver, the only metal which is a legal tender in this country. Now, silver being dearer than gold, we are thus forced to buy the dearer and scarcer metal, and prevented from taking that which is relatively cheaper.

and prevented buying gold which is cheaper

With a gold standard and currency, England might advantageously for herself, as well as for us, pay us for our products in gold from Australia, unburdened, as at present, with the charges of transmission to Europe, of exchange into silver, and of transport overland to India. In fact, we are,

by the necessity of this circuitous mode of circulation, virtually prohibited from commercial intercourse with markets at our very door. We are prevented from importing gold direct from Australia materially cheaper than we can obtain silver. Calculating the actual charges upon gold from Australia to England, and expenses there, at five per cent., and the charges thence overland to Bombay, and till it can be converted into coin, at 5 per cent. more, it is at once evident that we could import gold much more advantageously direct from Australia. The charges from Australia to Bombay being estimated at three to five per cent. we should thus secure the metal five to seven per cent. below what we now pay for importations from England, and still more below the cost of silver purchased with gold, sent round by London, from Australia.

The exclusive Silver standard prohibits direct trade with Australia,

It is an obvious fact that if we obtain money cheaper, we should obtain all other imports cheaper also, and it is not absolutely necessary, in order to obtain gold bullion at a cheaper rate, that we should have a direct demand for our commodities from Australia. There is quite sufficient demand for them in England alone, which exports largely to Australia, to obtain all the gold we want in exchange, actually, though circuitously, from the mining country. The demand for gold which would arise from its adoption as a standard in India would be the greatest stimulant to the creation of a direct trade with Australia. The resources of India are only now beginning to expand, and so much wealth is now distributed throughout the country, that, even after the cessation of the present extraordinary demand for cotton, our trade will continue to increase, and flow through numerous channels. The manufacturing industry of India will certainly be largely developed. With the freight and heavy charges on cotton to Great Britain, and equally heavy charges upon goods outward again, as a margin at credit, India may well be able to produce the lower qualities of cloth, and the lower numbers of yarn, so as to undersell England. Is it too much to say that India may, in the course of some years, be able to export such goods to Australia, amongst other commodities, in exchange for her gold? Every enlightened statesman, overlooking the paltry and unmeaning objection of supposed

injury to the manufacturing interests of Great Britain, would rejoice to see that day, and would certainly desire to open out in this, or any similar way, the resources of our Indian Empire. So long as we have a silver standard, however, we labour under so great a disadvantage in trading with neighbouring countries, that it is nearly prohibitive. Mr. Laing expressed a decided opinion on this point in introducing the Currency Act of 1861. He said that "it seemed "to him a pity to enact that, for all time to come, in transactions "between countries such as Australia and India, an Australian "merchant should not be able to pay for a cargo of Indian "rice without resorting to the round-about and expensive "process of sending his Australian gold to London, thence to "France or Germany to buy silver, and finally send that silver "overland or round the Cape to India."

and will repress the industry of India.

Mr. Laing and the Select Committee on the Bill, of which your Excellency was a member, therefore "thought that it "would be a considerable advantage to provide for the pos- "sible application, in India, of the same principle as regards "gold as is applied in England in regard to silver." They consequently granted power to issue "up to one-fourth part of "that portion of the circulation of India, which is represent- "ed by actual coin or bullion, against gold coin or bullion, "at a rate to be fixed by the Government from time to time, "and not altered without six months' notice." The Committee hoped that by thus fixing a *minimum* value, at which gold should be received at the Government Treasuries, its "superior convenience," and "its adaptation to native wants," might, in course of time, lead to the introduction of a considerable auxiliary gold currency. This important amendment has, for some inscrutable reason, or by mere oversight, been allowed ever since to remain a dead letter, and even this timid experiment has not yet been tried. I trust that your Excellency will at least urge that this clause, which you yourself were instrumental in framing for the evident advantage of the country, may at once be brought into operation.

Mr. Laing and the Select Committee provided for the possible introduction of an auxiliary gold currency,

but their "important amendment" has been made a dead letter.

That India has long been prepared to avail itself of this privilege is evident from the importations of gold which have been received for some years. The following is a statement

of the amount imported during the last six years into Calcutta, Madras, and Bombay :—

YEARS.	CALCUTTA. Rs.	MADRAS. Rs.	BOMBAY. Rs.	TOTAL. Rs.
1857-58	10,071,277	4,634,989	15,335,797	30,042,063
1858-59	29,629,566	3,237,936	19,732,307	52,599,809
1859-60	11,048,282	5,160,740	28,607,418	44.816.440
1860-61	12,636,424	7.423,585	25,032,294	45,092,243
1861-62	17,042,188	9,441,201	28,539,425	55,022.714
1862-63	17,000,000*	10,000,000*	40,225,794	67,225,794

The silver standard forces India to be the sink of the precious metals.

We owe it to our silver standard and currency, I maintain, that India has so long continued the "sink" of the precious metals. Absorption is to a very great extent forced upon her, and it is by no voluntary short-sightednesss as a commercial country, that so much of India's capital is made unproductive. It is a patent fact that we purchase our silver so dearly, and receive it burdened with so many charges, that is impossible to sell it otherwise than at a loss. We are, as it were, the last receivers of the commodity, after it has paid tribute to the rest of the world. We cannot re-export it without actual loss, and there is, therefore, a positive inducement to absorb. If, however, gold were our standard, in lieu of being the last, we might become the first recipients, and might profitably distribute, instead of absorbing it. We should be placed on the highway by which gold will travel to Europe, and no longer be the unfortunate "sink" in which the precious metals, after making the circuit of the globe, are dragged down by their weight of charges.

Gold is the only efficient basis for a Paper Currency for India.

Gold alone can enable a paper currency to fulfil its legitimate purpose in this country. It is only by liberating the precious metals from the duties of circulation, and enabling a country to make them reproductive by exportation as commodities, that a paper currency can legitimately benefit any nation. Supposing then that our paper currency were so far successful as to set any amount of silver free for this purpose, India could not avail herself of the opening because silver costs too dear for re-exportation. On the other hand, gold received from Australia, and thus rendered available, could be profitably ex-

* Estimates.

ported, either on a calculation of its actual cost, or its relative out-turn in comparison with other commodities. So long, therefore, as silver is maintained as the standard in India, our paper currency will continue to be delusive and unprofitable, and a wise system of financial administration deprived of all healthy vitality.

It would otherwise also check absorption.

A gold currency would probably in another way check, or at least retard, absorption. Most of the 200 millions of the population of India aid, more or less, in withdrawing coin from circulation, but a vast number of these can only do this by small instalments. Rupee follows rupee but slowly into the secret hoard, although the sum total of petty abstractions from the circulation is an important amount. The intermediate sums, however, between gold coins could only be amassed in subsidiary silver token coins, of limited tender, rated somewhat above their intrinsic value, and the gold would continue meanwhile in circulation. Such a gold currency would now be peculiarly suitable for India. The distrust and ignorance which reduce a currency note, with its promise to pay, to the level of waste paper, would appreciate a gold coinage, with its absolute intrinsic value in a condensed form, and the desire to possess so convenient a coin would probably attract forth again much of the hoarded silver which is now as effectually withdrawn from circulation as though buried in an undiscovered mine.

The original adoption of a silver standard was an error

Mr. Wilson, bent wholly upon the introduction of a paper currency, was unwilling to weight it with any plan of a gold standard and coinage for India, but he frankly said, " if we " had to begin *de novo*, no one will doubt that, 'as in England, " to adopt a gold standard, supplemented by silver " tokens of limited tender, as subordinate coins,' would be a " much preferable plan to that which we now find in use." His main objection to its present adoption, however, was, that a silver standard having been established in India, and under it large liabilities contracted, we could not in good faith now change the standard, and pay public creditors in any other, and perhaps relatively cheaper metal.

but it is never too late to mend.

We have not yet, it appears to me, seen much more than the mere infancy of our Indian Empire, and certainly its

resources are still in their first stage of development. We have surely not yet advanced so far, then, that a false step cannot be retraced, and a system sufficient for the early requirements of our commerce replaced by one more suited to its maturity, and to the altered circumstances of the world. It seems to me absurd to argue that the country having once adopted a standard is pledged to maintain it for ever, regardless of subsequent consequences. All changes of financial administration involve more or less of difficulty, but if the question, how a gold standard is to be equitably introduced into India, be in some particulars complicated, it is quite capable of solution, and no more appropriate time than the present could be found for the attempt.

The public creditor must not be wronged but neither should the country be made to suffer.

The funded debt of the country was contracted in silver, and Mr. Wilson argues that it must be liquidated in silver. If, however, it be right to protect the public creditor from any loss which might arise from the payment in gold of a debt contracted in silver, it is equally right that measures should be used to protect the country from the loss which must arise from the excessive enhancement in the value of that metal. When Government created these debts, Indian trade was not in its present active state, and the demand for silver had not increased to the enormous extent which it has now reached. If this overgrown demand continue, silver cannot fail still further to rise in value, and from the defects of a system no longer adapted to the wants of the country, we may, therefore, eventually have to pay off these liabilities at a still greater disadvantage than at present. It is very desirable, therefore, upon this score alone that protective measures should be adopted. If Government invited tenders for loans to be repaid in gold in order to liquidate the debt contracted to be repaid in silver, there can be little doubt that the transfer could be effected upon favourable terms. Even if debts contracted under a silver standard could not be transferred to a gold standard without some slight loss, I submit that it could not be greater than that which the country must generally suffer from the maintenance of the present silver standard, and the consequent advance in the value of that metal. It would be better far, it appears to me, to incur such a loss at once than to continue to cramp the com-

merce of the country by an altogether inadequate currency. I venture, however, to affirm that Mr. Wilson's objection is much more technical than real, and that the change of standard does not involve any breach of faith whatever towards the public creditor. Let us admit that the public debt now existing was contracted under a silver standard to be liquidated, according to the strict letter of the contract, in the same standard. No one will assert, however, that the contraction of these debts involved any pledge for the indefinite perpetuation of the monetary system then existing, or deprived us of the right to make future changes in the financial administration of the country. The general weal of this great empire, and no mercenary desire to take unfair advantage of the public creditor, now renders a reform of the currency necessary, and if, in order to fulfil the letter of the contract, Government must first pay off its debts in silver, they are certainly then at liberty to change the standard to gold. Now what is the utmost which those who receive back their silver loan in silver can do? They must exchange it for commodities, or for gold coin, and they will receive simply the present equivalent of their silver. It appears to me, therefore, that the payment by Government of these debts in the amount of gold which their amount in silver could purchase would fulfil the full spirit of the contract, and leave no real ground for complaint. If precedent be required, it is not wanting. The very same change of standard was made in England, with a public debt greatly exceeding our own, without causing dissatisfaction, or drawing forth any remonstrance from public creditors; and still more recently, America depreciated her coinage, and virtually adopted a single gold standard, under similar circumstances, with the general approval of the country. The transfer of the open rupee loans to an equivalent amount in gold would not, therefore, I submit, entail any hardship, and I believe, as I have before stated, that either the holders of these debentures would be quite willing to accede to the transfer, or that abundance of money could be obtained, upon favorable terms, under a gold standard, to pay off the liabilities for which silver would be required.

Mr. Wilson's objection theoretical and a change of standard no breach of faith.

A similar change was effected in England and America.

It could only be by a great subsequent depreciation of gold

Loss could only arise from grea

subsequent depreciation of gold which is not probable.

that any loss to these creditors could ensue. The transfer of the debt from silver to gold, however, would be made after the effect of the great increase in the production of the metal has been fully experienced, and after gold has in a manner found its level, and the probability is, that the adoption of a gold standard for India would so completely counteract the increased supply, that no further depreciation would take place.

Suggestions regarding the Indian mint value of gold.

I feel great diffidence in entering into the details of the scheme of a gold coinage for India, but Your Excellency will perhaps pardon me if I venture to make a few suggestions upon this important point. Placed as India, in a manner, is between gold producing countries and Europe, the first consideration must be to fix the Indian mint value of gold so as to preserve a fair mutual equilibrium of value between ourselves, Australia, and England. This value, therefore, should not be so high as to render it profitable for Australia to send gold to be coined at our mints, nor should it be so low as to admit of the advantageous export of our gold coin as bullion to Europe.

Regulation of coinage.

It is, likewise, highly important that, as much as possible, a gold coinage should for the present be built upon the existing silver currency, so as to introduce the change with as much regard to private interests as may be. I, therefore, venture to suggest the issue of gold coins similar to the sovereign and half sovereign, and respectively representing ten and five rupees, with subsidiary silver token coins, of limited tender, rated seven to ten per cent above their real value. The existing silver coin might, for the present, be allowed to continue legal tender to the extent even of five hundred rupees, and this limit might hereafter be reduced according to circumstances. The new gold coins should be of an intrinsic value which should place them on a safe basis in relation to the old rupees, and they could, by subsequent alteration of the limit of tender, be protected, if necessary, from the effect of any unforeseen fluctuation in value. Possessing, as they do, a well known intrinsic worth, the old rupees would, no doubt, for the present, be freely received to a much larger extent, but not being replenished by fresh issues, being retired as rapidly as they came into the Government Treasuries, and replaced by new token

pieces, I have no doubt that in a few years they would disappear from circulation, and that the change of standard and currency would thus be effected, without any sacrifice disproportionate to the benefit secured.

A double standard is fallacious and objectionable.

I scarcely think it necessary to state any arguments against the alternative of a double gold and silver standard to obviate the difficulty of at once adopting a single gold standard, as the objections to that system have too often been advanced, and are too apparent to need repetition. In fact, under a double standard there never would really be a double circulation of gold and silver coins, but simply an adoption of that metal which for the time best suited the interest of debtors. The standard would therefore fluctuate between the two, to the great inconvenience of the public, and to their continual loss.

Mr. Laing pronounced the exclusion of gold from our currency to be "barbarous."

I cannot do better, in conclusion, than quote the opinion in favour of the introduction of gold expressed by Mr. Laing when bringing forward the Bill for a Paper Currency devised by Mr. Wilson, and perfected by himself and the Select Committee. "I must say," he declared, "that at the time when we are pro- "fessing to make a reform in the currency of India, it does "seem to me to be what I can hardly call otherwise than barbar- "ous to introduce a system based upon the entire exclusion of "that all-pervading metal, whose superior convenience is fast "making it the sole or principal medium of all the most civi- "lized nations of the world." Gold, he recognised, "would be "a universal medium of exchange from one end of India to "another, whereas a small note circulation involved the neces- "sity of different issues in different circles, and the risk and "trouble of keeping an adequate reserve of specie at numerous "points." Holding these views, he refrained from bringing forward any positive measure for making gold a legal tender, in great part because it would have given rise to a long correspondence with England, and would have retarded the Currency Act. This objection is no longer valid, and I trust that what he did not scruple to call a "barbarous" system may not be perpetuated from any further considerations of official expediency.

Importance of assimilating our currency to that of England.

No doubt, as Mill has suggested, in the advance of political improvement all countries will one day have the same

currency. At least it is exceedingly desirable that the currency of the Indian Empire should be assimilated to that of England and her colonies, and that countries, so closely connected in Government and mutual interest, should no longer be separated so widely by a totally different monetary standard. The adoption of the same standard would be a great advance towards a universal currency, would abolish much inconvenience and complication of accounts, promote commercial intercourse, and knit the Empire more closely together by the bond of a common financial system.

I trust, therefore, that your Excellency may be pleased to promote the attainment of a consummation so devoutly to be desired, by bringing this subject, supported by your very weighty approval, before the Government of India and the Secretary of State for India, and that India may hereafter owe to your Excellency's administration the important advantage of an adequate gold currency based on the standard of England.

I have the honour of being,

Sir,

Your Excellency's most obedient Servant,

WALTER R. CASSELS.

Bombay, 1st *January* 1864.